

CALIFORNIA ENERGY COMMISSION

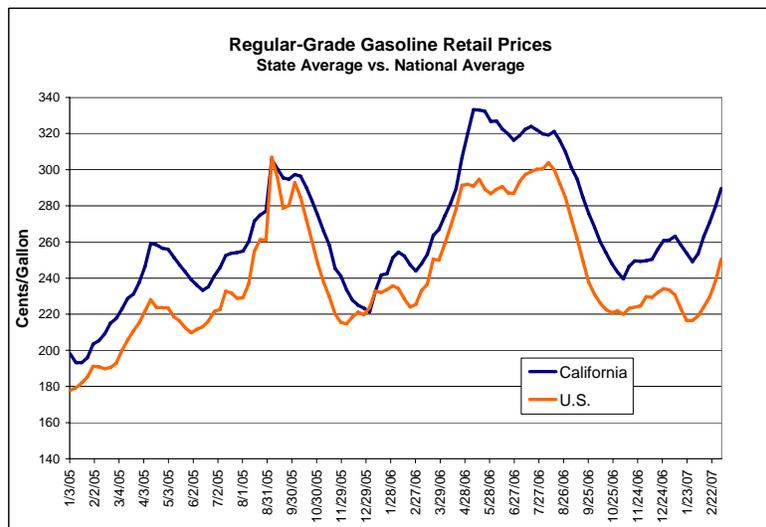
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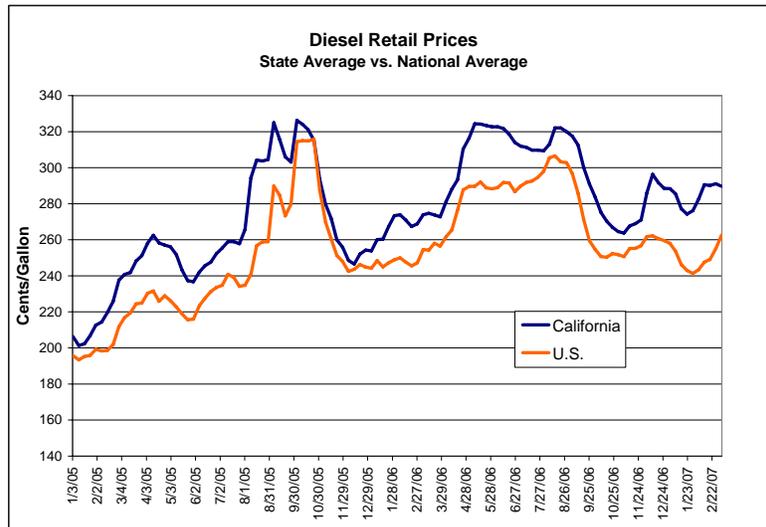
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**Petroleum Watch****March 9, 2007*****Retail Gasoline and Diesel Prices on March 5***

- A 10 cent per gallon increase from last week boosted the average California **retail price for regular-grade gasoline** to \$2.90 per gallon. Gasoline prices have increased 36 cents from our last report on February 5 and are now 41 cents per gallon higher than at the same time last year.ⁱ
- The difference between California and U.S. retail gasoline prices grew to 39 cents per gallon, 5 cents more than on February 5. U.S. gasoline prices jumped 31 cents since February 5 to \$2.51 per gallon, 18 cents more than reported at this time last year.



- Unlike gasoline, the average California **retail diesel price** has flattened out over the last 3 weeks to end at \$2.90 per gallon, but is still 7 cents more than on February 5. In contrast, the average U.S. retail diesel price has increased 19 cents to \$2.63 per gallon since February 5, narrowing the difference between California and U.S. prices to 27 cents per gallon.

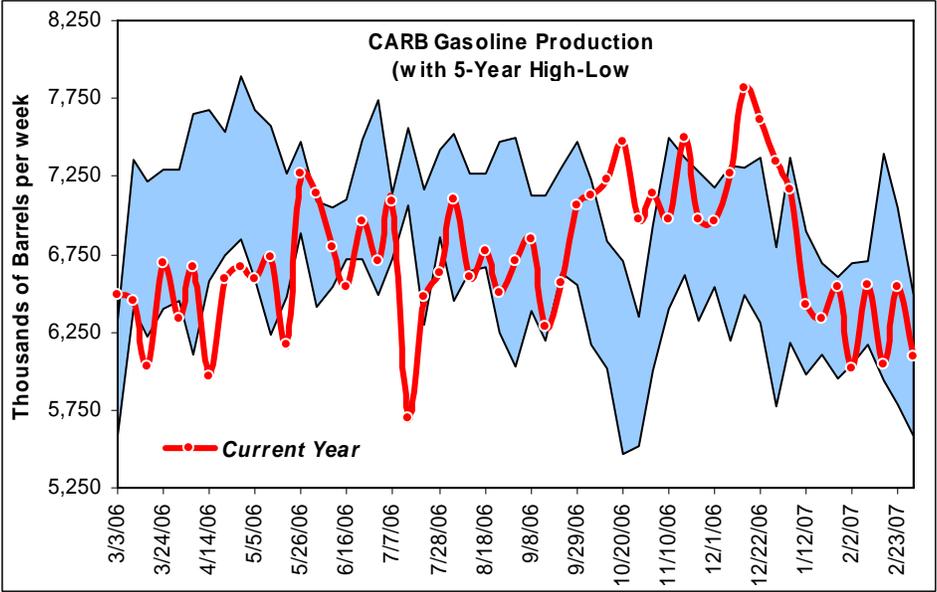


Wholesale Gasoline and Diesel Prices on March 6

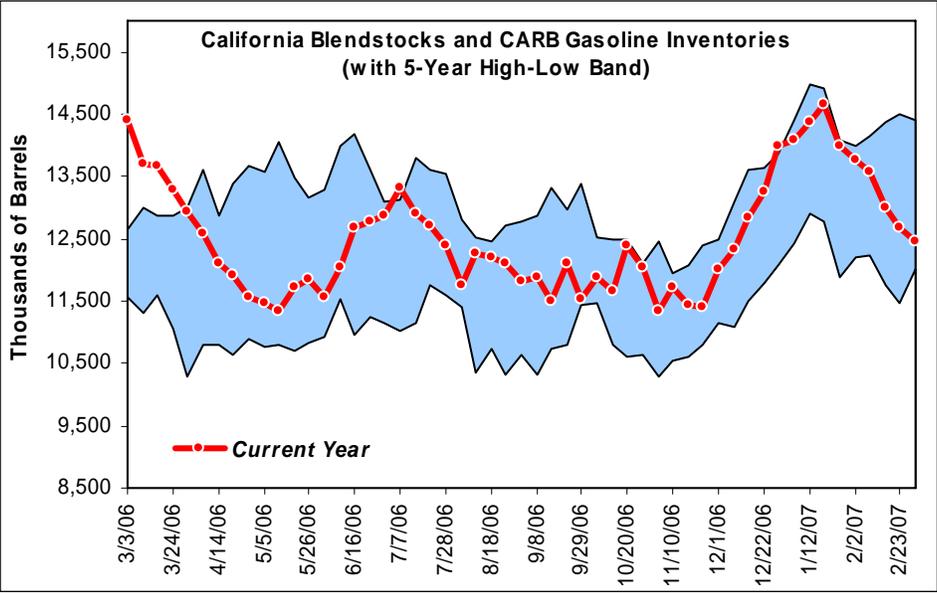
- Planned maintenance related to switching to summer blend gasoline and unplanned outages at refineries in California and other states have reduced production and driven up **wholesale gasoline prices**.
- California spot wholesale gasoline prices for regular-grade reformulated blendstock for oxygenate blending (RBOB) sharply increased to \$2.28, 35 cents more than on February 6. Prices are 41 cents per gallon more than on the same day last year.
- Spot prices for RBOB in Los Angeles are 41 cents higher than New York Harbor and 50 cents more than the Gulf Coast, up from 39 cents and 40 cents, respectively, on February 6.
- In contrast to gasoline, California spot **wholesale ultra low-sulfur diesel prices** have declined over the past month to \$1.98, 10 cents lower than on February 6 and are unchanged from the same day last year.
- California wholesale ultra low-sulfur diesel prices are 14 cents per gallon more than New York Harbor and 9 cents more than the Gulf Coast, down sharply from 33 cents and 35 cents more, respectively, on February 6.
- California gasoline ended the reporting week at 30 cents more than California diesel, a sharp reversal from February 6 when it was 16 cents less.
- The Energy Information Administration's (EIA) weekly report for March 2 shows that **U.S. gasoline demand** increased 0.8 percent from the previous week and 0.6 percent from February 6, while distillate demand declined 4.5 and 3.3 percent, respectively. The four-week average demand for gasoline is 9.14 million barrels per day, 1.2 percent more than the four-week average at the same time last year. The four-week average for U.S. distillate demand is 4.66 million barrels per day, 8.5 percent more than at the same time last year.

Refinery Production and Inventories

- Capping several weeks of erratic output, **reformulated gasoline production in California** for the week March 2 decreased 6.9 percent from the previous week to 6.1 million barrels. Production levels remain near the middle of the five-year range.ⁱⁱ



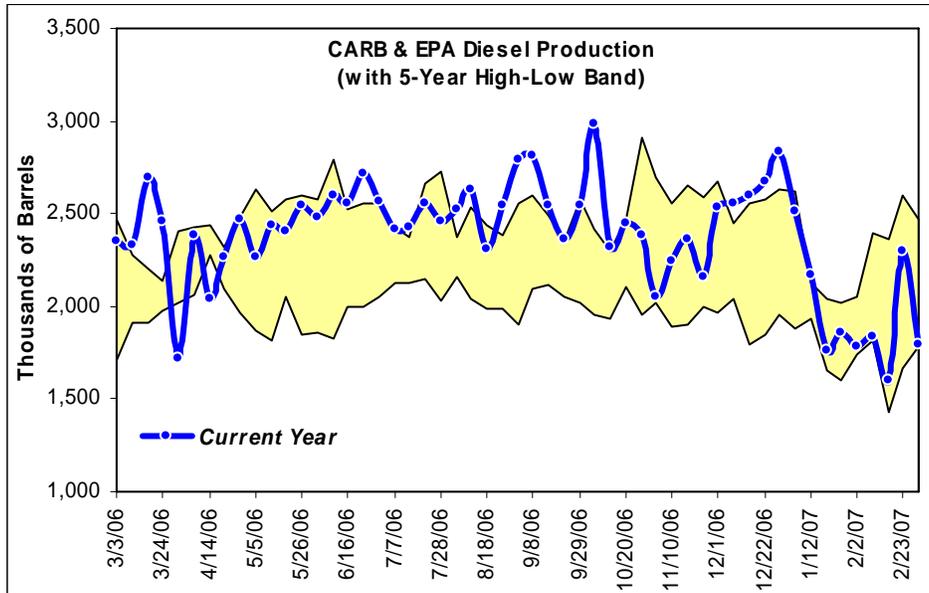
- California reformulated gasoline inventories decreased by 4.9 percent last week, while gasoline blendstock inventories rose by almost 1 percent. As a result, **combined inventories** of reformulated gasoline and gasoline blendstocks in the state **decreased by 1.7 percent** to 12.47 million barrels declining to the bottom of the five-year range.



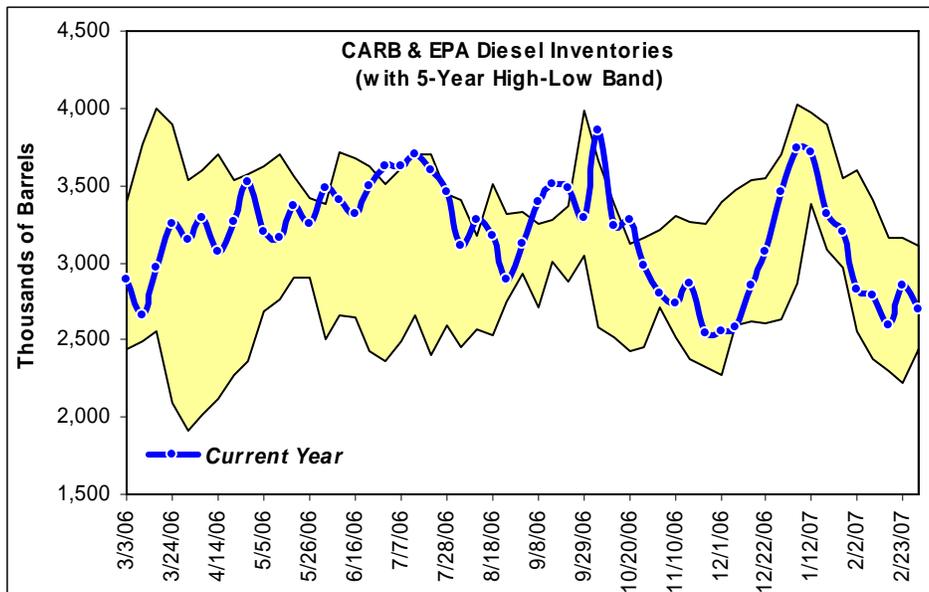
- U.S. gasoline inventories as of March 2 were at 216.4 million barrels, 3.75 million barrels less than the previous week and 10.8 million barrels lower than February 2.

Inventories declined on the East Coast and Gulf Coast but increased on the West Coast during the latest week.

- California **ultra low-sulfur diesel production** during the week ending March 2, including both California diesel and U.S. Environmental Protection Agency (EPA) diesel, dropped sharply to 1.80 million barrels, 21.6 percent less than the previous week and 23.5 percent less than a year ago.

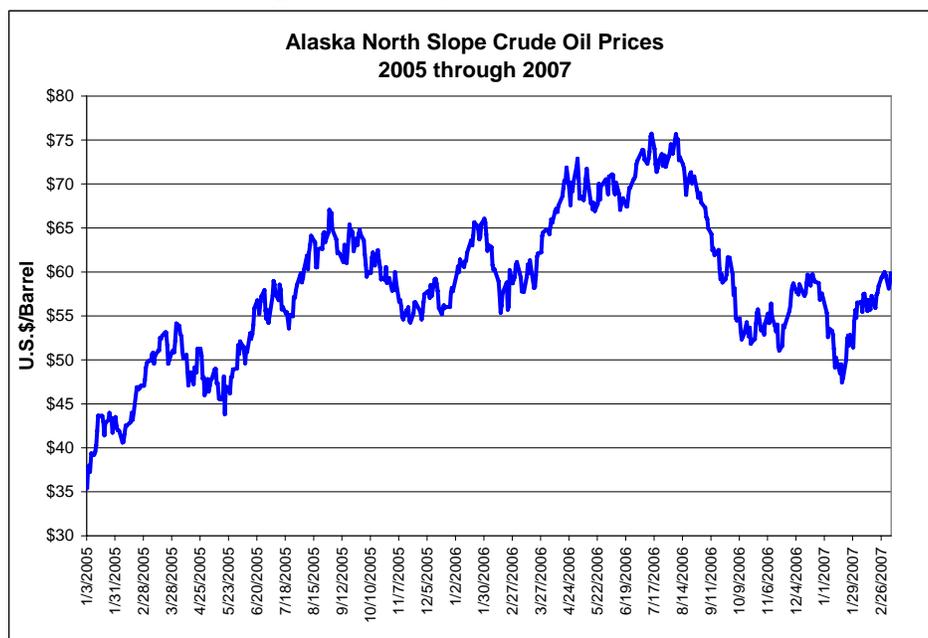


- Combined **ultra low-sulfur diesel inventories** in California decreased by 5.6 percent from the previous week to 2.70 million barrels. Total U.S. distillate inventories as of March 2 fell to 123.2 million barrels, 13.2 million barrels less than February 2. Inventories decreased sharply on the East Coast and were down slightly on the West Coast.



Crude Oil Prices and Inventories

- Since our last report, West Coast prices for Alaska North Slope (ANS) crude oil, an important refinery feedstock for California, rose from a low point of \$55.46 per barrel on February 7 and traded erratically within a range of \$55-58 per barrel for two weeks. Among factors pushing prices higher were the shutdown of Occidental's Elk Hills oil field in California due to a natural gas pipeline fire, the arrival of extreme cold weather in the Northeast, ongoing problems with Nigerian militants, a drop in Iraqi exports, and Iran's confrontation with the U.N. Security Council. OPEC members' compliance with their production quotas has not been particularly disciplined. However, combined with the government takeover of majority stakes in several Orinoco Basin heavy oil projects and other production problems in Venezuela and a major new oil pipeline leak in Nigeria, OPEC output cuts have reduced overall oil supply. Even large declines on stock market indexes in China, the United States, and elsewhere failed to pull oil prices back down, as several energy agencies have revised upward their estimates of worldwide oil demand growth for this year. From February 20 through March 1, ANS prices grew by over \$4 to \$60 per barrel, the highest level since last September. In the last week, oil prices declined slightly and then bounced back, settling at \$59.87 per barrel on March 7.ⁱⁱⁱ



- U.S. commercial crude oil inventories as of March 2 dropped 4.8 million barrels from the previous week to 324.2 million barrels. Crude oil stocks are 10.9 million barrels less than last year but 21.9 million barrels higher than the five-year average. California crude oil stocks fell 2.1 percent from the previous week to 16.2 million barrels but are still 12.7 percent higher than last year.

ⁱ Spot wholesale and retail gasoline and diesel prices and U.S. crude oil and product inventory estimates are from the Energy Information Administration of the U.S. Department of Energy.

ⁱⁱ California refinery production and inventory information is from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

ⁱⁱⁱ ANS crude oil prices are from *The Wall Street Journal*.